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Financial reports and audited financial statements, and reports of the Board of Auditors

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Report of the Advisory Committee on Administrative and Budgetary Questions

1. In accordance with financial regulation 12.11, the Advisory Committee on Administrative and Budgetary Questions received the reports of the Board of Auditors on the most recent financial statements of the following entities to the General Assembly: the United Nations,[1] the International Trade Centre UNCTAD/WTO (ITC),[2] the United Nations University (UNU),[3] the United Nations Development Programme (UNDP),[4] the United Nations Children's Fund (UNICEF),[5] the United Nations Population Fund (UNFPA),[6] the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA),[7] the United Nations Environment Programme (UNEP),[8] the United Nations Habitat and Human Settlements Foundation,[9] the Fund of the United Nations International Drug Control Programme (UNDCP)[10] and the United Nations Office for Project Services.[11] In addition, the Advisory Committee had before it the Board's report on United Nations peacekeeping operations for the period from 1 January 1996 to 30 June 1997[12] and on the accounts for the year ending 1997 on the voluntary funds administered by the United Nations High Commissioner for Refugees[13] and on the United Nations Institute for Training and Research (UNITAR),[14] as well as the report of the Board on the management review of the secretariat of the International Civil Service Commission (A/52/811).

2. The Advisory Committee's observations and comments on the report of the Board of Auditors on the United Nations Joint Staff Pension Fund[15] for the biennium 1996-1997 has been submitted separately to the General Assembly at its fifty-third session in a report that includes the Advisory Committee's recommendations on the report of the United Nations Joint Staff Pension Board (A/53/511).

3. The Advisory Committee had an advance copy of the concise summary of principal findings, conclusions and recommendations, classified by audit area, of the Board of Auditors (A/53/217). The Committee also took up reports of the Secretary-General on the implementation of the recommendations of the Board (A/53/335 and Add.1). In addition, the Committee considered a request by the Board for the Committee's concurrence in the allocation of audit work among its members, with effect from 1 August 1998.

4. The Advisory Committee also considered the report of the Secretary-General on guidelines for internal control standards (A/52/867); the Committee's comments and observations in this regard are contained in document A/53/508.

5. During its consideration of those reports the Advisory Committee met with the Audit Operations Committee of the Board of Auditors from 21 to 23 September 1998 and with

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representatives of the Secretary-General on 28 and 29 September 1998.

6. The Advisory Committee discussed the audit assignments with the Audit Operations Committee. The request for the Advisory Committee's concurrence in accordance with financial regulation 12 12 was dated 24 July 1998 for assignments to be taken up with effect from 1 August 1998. The Advisory Committee requests that its concurrence be sought early enough to enable it to react prior to the date on which the assignments become effective.

7. The Advisory Committee sought information on the workload of the Board of Auditors and its effect on resources. The Committee was informed that the Board's workload had increased dramatically in recent years, in particular, as a result of additional requests from the Advisory Committee and the Fifth Committee for special or expanded audits.

8. The Advisory Committee was informed that prior to the biennium 1994–1995 the Board had submitted some 16 reports during each biennium to the General Assembly. However, since then the workload of the Board had increased as a result of (a) additional organizations and activities for which 18 additional reports needed to be provided in each biennium, bringing the total number of reports to be submitted to the General Assembly and other bodies to some 34, and (b) requests for special audits from the Committee and the Assembly; from 1994 to date, some 27 requests for special audits have been made.

9. The Advisory Committee was informed that it was the intention of the Board to request additional resources in the context of the proposed programme budget for the biennium 2000–2001 to support its Audit Operations Committee and its secretariat. The Committee intends to discuss this issue with members of the Board during its meeting in New York in December 1998.

10. The Advisory Committee has commented extensively on the timing of the submission of reports of the Board and their review by the Committee (A/51/533, paras. 6–9). The Committee had requested that the Board and the Administration review the situation with a view to speeding up the production and publication of the audit reports and the audited financial statements. The Committee was informed by the Audit Operations Committee of the Board that the financial statements and accounts for the period ending 31 December 1997 had been received by the Board on 16 April 1998.

11. The Advisory Committee notes that some progress has been made in this regard as compared with its previous experience (see A/51/533, para. 12). In particular, the Committee had before it, albeit in draft form, reports by the administrations on action taken or proposed for implementation of the recommendations of the Board (A/53/335 and Add.1). However, there is a need for the various administrations to improve the quality of the information in those reports. In particular, they should be more specific in indicating the concrete actions taken or to be taken.

12. The Advisory Committee notes that the published report of the Board was not ready by the start of the fifty-third regular session of the General Assembly. The Committee conducted its review of the Board's reports on the basis of advance texts in English only. Moreover, the published financial statements were not available. In the past, the reports of the Board were the first item to be taken up by the Fifth Committee during the regular sessions of the Assembly. It is the view of the Committee that reports of the Board and the related report of the Committee should be published before the start of the regular session of the Assembly. The Committee intends to hold further discussions with the Board and with representatives of the Secretary-General on this question.

13. With regard to peacekeeping operations (for which the financial period is 1 July–30 June), the Advisory Committee also regrets the delay in the submission of the financial statements to the Board and as a consequence the report of the Board to the Committee. The Committee recalls the observations made in paragraph 17 of its previous report (A/51//533) regarding the submission of financial statements and accounts to the Board no later than 30 September (three months after the end of the financial period), thus allowing the Board of Auditors to submit its report to the Committee no later than February of each year, in harmony with the review of the peacekeeping budgets by the Committee. The Committee notes that the financial statements for the next audit were submitted by 30 September 1998. The Committee requests that efforts be made to ensure that the Board's report is submitted to the Committee in February 1999 so as to enable the Committee to report to the General Assembly in accordance with the new peacekeeping budgeting cycle outlined in Assembly resolution 49/233 A of 23 December 1994. Furthermore, in view of the progress that should occur as a result of installation of Integrated Management Information System (IMIS), the Secretary-General should review whether the accounts for the regular budget and peacekeeping operations could be closed earlier than the current three months after the end of the financial period.

14. The Advisory Committee once again commends the Board for the quality of the reports and notes that the Board

has made efforts to make its recommendations less general, thus making it easier to verify more accurately the compliance by the audited administrations. The Committee recommends a further refinement whereby after the list of main recommendations, the paragraph numbers where the other recommendations appear in the main body of the report would be given.

Year 2000 compliance issue

15. For each of the organizations audited the Board has commented on the year 2000 issue, particularly on the need to take urgent measures to make existing technology systems year 2000 compliant. With regard to the United Nations, the Board has recommended, in paragraph 218 of its report on the United Nations,[1] the actions that need to be taken. Upon enquiry, the Audit Operations Committee informed the Advisory Committee that each administration needed to decide the lead time required. Furthermore, it stressed that adequate resources would need to be allocated for this exercise.

16. The comments of the United Nations administration in paragraph 32 of the report of the Secretary-General on implementation of the recommendations of the Board of Auditors (A/53/335) do not fully address the question of lead time nor the issue of resources for both Headquarters and offices away from Headquarters. Upon enquiry, the representatives of the Secretary-General informed the Committee that a report identifying the scope of the work to be carried out was under preparation and would be ready by early 1999. Accordingly, the Committee recommends that the United Nations Administration and all the administrations of the funds and programmes mentioned in paragraph 1 above report to it by May 1999 on the progress made in this regard. The United Nations Secretariat is requested to coordinate the preparation of this report.

Compliance with the United Nations accounting standards

17. For each administration, the Board has concluded that the presentation of the financial statements was generally in compliance with the United Nations accounting standards. The Advisory Committee notes, however, that differences exist in the United Nations, its funds and programmes and the administrations of the specialized agencies on the extent of compliance with several articles of the United Nations system accounting standards. These differences in application of the standards have also given rise to inconsistent audit observations.

18. The Advisory Committee exchanged views with the members of the Audit Operations Committee, with representatives of the United Nations and its funds and programmes and, in Geneva and Vienna, with representatives of the specialized agencies and the International Atomic Energy Agency. The Advisory Committee concluded after those consultations that the inconsistent application of several articles of the United Nations system accounting standards required urgent review. In paragraph 30 of its report on the audit of UNICEF,[6] the Board and the administration agreed that, the Consultative Committee on Administrative Questions (Financial and Budgetary) (CCAQ (FB)) should consider whether the United Nations accounting standards needed to be revised. The Committee understands that steps are under way in CCAQ (FB) to initiate a review of the standards. The Committee welcomes this development and recommends that the matter be accorded priority within the Administrative Committee on Coordination machinery.

United Nations

19. In its report on the accounts of the United Nations for the biennium 1996–1997,[1] the Board of Auditors made 34 recommendations and identified 13 main ones. In paragraphs 8–32 of his report on implementation of the recommendations of the Board of Auditors dated 1 September 1998 (A/53/335), the Secretary-General described the implementation of the 13 main recommendations contained in paragraph 11 of the report of the Board of Auditors. Further on, in paragraphs 33–51, the Secretary-General described the implementation of 16 other recommendations contained in the body of the Board's report, namely in paragraphs 23, 48, 50, 57, 63, 69, 82, 87, 89, 96, 98, 123, 144, 172, 214 and 224. In addition, in paragraphs 4–7, 53 and 54 of his report, the Secretary-General addressed the implementation of four other recommendations of the Board, made in paragraph 9 of its report and in paragraphs 15 and 55 of the annex to the report. The Advisory Committee recalls that in paragraphs 10–17 of its previous report (A/51/533), it had commented extensively on the need for United Nations administrations to have in place an effective mechanism for dealing with recommendations of the Board. The Committee notes that, as indicated in document A/53/335, various officials in the United Nations have been identified as having responsibility for implementation of specific recommendations of the Board.

Ex gratia payments

20. Reference is made to the subject of ex gratia payments in paragraphs 72 and 198–206 of the report of the Board of Auditors. The Advisory Committee notes that of ex gratia payments of $787,892.54 made to 15 individuals during the biennium 1996–1997, an amount of $750,663 was paid to the judges of the International Criminal Tribunal for Rwanda. The appropriateness of that payment had been questioned by the Committee in paragraph 11 of its report on the Tribunal (A/52/697), in which the Committee had recommended that the amounts involved should be recovered. The General Assembly, in its resolution 52/218 of 22 December 1997, requested the Board to report on those ex gratia payments. The Board, after reviewing the payments, concluded that payment of the salaries on ex gratia basis was contrary to the terms contained in the Secretary-General's letter of 7 March 1995 and the letters sent to the judges after their elections. It is the opinion of the Committee that the United Nations Administration erred in authorizing the payments. It is for the General Assembly to take whatever action it deems appropriate in the light of the findings of the Board and the previous recommendation of the Committee regarding the payments.

Integrated Management Information System

21. In paragraph 39 of its report,[1] the Board recommended that Release 3 of IMIS be modified to remove the need for substantial adjustments of accounts receivable and payable outside IMIS and to ensure that individual debtors and creditors are properly identified in all cases. The Committee concurs with the Board's recommendation and notes that its implementation will improve the Organization's ability to follow up, namely, to collect overdue accounts receivable and to maintain proper control over accounts payable.

Procurement

22. In its previous report (A/51/533), the Advisory Committee had expressed the opinion that procurement reform should be given top priority in the United Nations and in the funds and programmes. The Committee is aware that the period covered by the current audit, namely the biennium 1996–1997, has not been affected fully by the procurement reform measures recently instituted by the Secretary-General within the United Nations.

23. In its current audit report the Board identified numerous irregularities regarding procurement of goods and services, both in the United Nations and in the funds and programmes. The comments of the Advisory Committee on a few of these findings of the Board appear in the paragraphs below.

24. In his report on procurement reform dated 18 August 1998 (A/53/271), the Secretary-General stated that he was pleased to report that measures implemented following the recommendations and suggestions of the General Assembly, the Advisory Committee and oversight bodies had significantly strengthened the transparency, competitiveness and fairness of the procurement system in the United Nations. The Advisory Committee will review that report and submit its recommendations to the Assembly in due course. In the meantime, the Committee, while making its recommendations in the paragraphs below on some of the findings of the Board of Auditors with regard to procurement, requests that the Board, during the next audit cycle, evaluate the effectiveness of the measures taken in the reform process by conducting a horizontal audit of procurement as it did with respect to the audits for the biennium 1994–1995.

25. In paragraphs 74–82 of its report, the Board commented on contracts for rehabilitation of the parking garage and for cleaning and maintenance, electrical maintenance and purchasing contracts totalling $57.44 million. The Advisory Committee regards as very serious the irregularities referred to in the Board's report in that regard. The Committee notes that the comments by the Administration in paragraphs 15 and 16 of document A/53/335 deal mainly with the question of planning for major maintenance and the issue of emergency activities.

26. With regard to the contracts for cleaning, maintenance and electrical maintenance, the Advisory Committee is particularly disturbed by the fact that even the Headquarters Committee on Contracts was itself concerned at being subjected to undue pressure as a result of late submission of the presentation of the two major contracts referred to in paragraphs 77 (a) and (b) of the Board's report. The Committee was not satisfied with additional oral explanations given by the representatives of the Secretary-General during hearings on the subject. The Committee therefore recommends that the Secretary-General supply an additional written explanation to the Fifth Committee, including an indication of what action has been taken to ensure that such irregularities, including those referred to in paragraphs 80 and 81 of the Board's report, are not repeated.

27. The Advisory Committee endorses the observation of the Board in paragraph 76 of its report that major maintenance contracts should not be awarded on an exigency basis. Extensive comments on the question of procurement

on an exigency basis have been made by the Board as well as the Committee in previous reports, in particular in connection with peacekeeping operations.

28. In the report of the Secretary-General on procurement reform dated 28 April 1998 (A/C.5/52/46), an attempt was made by the Secretariat to provide a sharper definition of exigency. It appears to the Advisory Committee that rather than sharpening the definition with a view to limiting the use of exigency, the Secretary-General, as indicated in his conclusion in paragraph 8 of the report, actually expanded the definition. From this it would appear to the Committee that more cases might be covered by the new definition of exigency than previously. The Committee was informed by the Audit Operations Committee of the Board that the Board would review this report of the Secretary-General in conjunction with the next audit of peacekeeping operations.

29. In paragraph 27 of the report of the Advisory Committee contained in document A/49/547, the Committee commented that the practice of using vendors or suppliers suggested by requisitioners could lead to irregularities in the procurement process and could raise questions of conflict of interest. In paragraph 80 of its report for the biennium 1996–1997, the Board reported that this problem persists. The Committee does not accept the explanation provided by the Administration in paragraph 81 of the Board's report and is not fully convinced by the explanation in paragraph 42 of document A/53/335. The Committee notes that similar cases have been reported with respect to the audit of the Economic Commission for Latin America and the Caribbean. The Committee considers this to be unacceptable and requests the administrations to take immediate action against those who continue to disregard proper procedures.

30. In paragraphs 83–87 of its report, the Board identified further examples of poor contract management; the Administration's response, in paragraph 43 of document A/53/335, is not adequate. Upon enquiry, the Advisory Committee was provided with background information that pointed to a lack of interdepartmental cooperation as the reason for delay and mismanagement. In paragraph 95 of the Board's report, several procurement deficiencies were identified. The Committee notes the Administration's response given in paragraph 45 of document A/53/335.

31. With regard to the management of conference centres at the Economic Commission for Africa (ECA) and the Economic and Social Commission for Asia and the Pacific, the Advisory Committee exchanged views with the members of the Audit Operations Committee and with representatives of the Secretary-General on the implication of the Board's recommendation in paragraph 162 of its report. The Advisory Committee points out that the two conference centres were not established for commercial purposes. The question of whether they are profitable to run should not be a primary concern. The Committee notes that in its response, in paragraph 30 of document A/53/335, the Secretariat noted the recommendation of the Board and stated its intention to study the feasibility of implementing it. While the Committee is of the view that the Board's recommendation should be implemented, it believes that the goal should not be to determine the profitability of the centres, but to ascertain the full cost of operating them with a view to establishing the appropriate level of fees that should be charged to users other than those from the United Nations system and the proper administrative and accounting procedure to be employed.

Human resources management

32. In paragraphs 117 and 118 of its report, the Board commented on the ratio of support to programme staff at ECA. The Advisory Committee recommends that the Secretary-General, in the context of the programme budget proposals for the biennium 2000–2001, propose measures to address the problem. The Committee considers that such a large proportion of support staff inevitably affects the capacity of ECA to implement its programmes. Accordingly, staff resources devoted to programme activities should be increased considerably by lowering the ratio of support staff.

United Nations Compensation Commission

33. The findings of the Board regarding the operation of the Commission are discussed in paragraphs 163–197 of its report. The Audit Operations Committee of the Board informed the Advisory Committee that the comments by the Board related to claims in categories A–C as indicated in paragraph 165. The Committee was further informed that the deadline for submission of claims under those categories had expired and that all claims submitted had been processed. The observations of the Board should therefore be taken into account by the Commission in processing claims under categories E–F, for which they are equally applicable.

34. The Advisory Committee is of the view that although the Board made only one recommendation regarding the Commission, in paragraph 172 of its report, the comments made by the Board in other paragraphs warrant the full attention of the Commission. In paragraph 49 of document A/53/335, the Administration suggested that the recommendation of the Board be drawn to the attention of the Governing Council of the Commission. In that connection, the Committee recommends that the Secretary-

General transmit the full text of the Board's report, as it appears in paragraphs 163–197, to the Executive Secretary of the Commission, who should be requested to place the text before the Governing Council for its attention and action.

United Nations Peacekeeping Operations

35. The Advisory Committee commends the Board on the quality of its report. However, a thematic presentation would facilitate a better understanding of the problems encountered and recommendations made during the course of the audit. The Board made a total of 40 recommendations and identified 13 main recommendations, which are summarized in paragraph 10 of its report on United Nations peacekeeping operations for the period from 1 January 1996 to 30 June 1997.[12] In paragraphs 4–31 of the report of the Secretary-General on implementation of the recommendations of the Board (A/52/879), the Secretary-General describes implementing measures in regard to the 13 main recommendations contained in paragraph 10 of the Board's report. The Committee is of the opinion that the Administration should indicate what action has been taken or needs to be taken with respect to all of the recommendations of the Board (see para. 19 above).

36. The Advisory Committee, in paragraphs 49 and 50 of its previous report (A/51/533), made several comments on the level of peacekeeping funding. As indicated in table 1 of the financial report of the Secretary-General for the 18-month period from 1 January 1996 to 30 June 1997,[16] total expenditure was $1,954.4 million, whereas for 1 January 1994 to 31 December 1995 it amounted to $5,794.9 million. Upon enquiry, the Committee was informed that expenditure for the financial year ending 30 June 1998 (12 months) is estimated at $879,347,000. It should be borne in mind that those amounts do not include items funded by the regular budget.

37. The Advisory Committee notes that the Secretary-General further indicates, in paragraph 8 of the financial report, that the reduction did not affect the volume of work related to maintaining and updating financial records, as transactions had to be recorded for the active missions and missions in the liquidation phase as well as for completed missions. The comments of the Committee on this aspect are included in its most recent report on the support account for peacekeeping operations (A/53/418).

38. The Advisory Committee also notes that the Secretary-General once again has drawn the attention of Member States to the serious cash and liquidity problems under which the Secretariat is forced to manage peacekeeping operations. As indicated in paragraph 12 of his financial report, at 30 June 1997, unpaid assessed contributions for peacekeeping operations amounted to $2,180.7 million, compared to $2,074.0 million at 30 June 1996. Moreover, in paragraph 11, the Secretary-General states that the failure of many Member States to pay their assessed contributions in full and on time for peacekeeping operations, as well as for the regular budget and the international tribunals, has produced recurring cash crises and increased the inability of the Organization to pay its obligations to Member States and to others.

39. The Advisory Committee, in paragraph 51 of its report on the report of the Board of Auditors for the biennium 1994–1995 (A/51/533), commented on the fact that the audit opinion had been qualified owing to doubts about the collectability of $175.5 million related to assessed contributions for which Member States had declared their intention not to pay. The Board once again qualified its opinion on account of its view on the non-collectability of a portion of assessed contributions ($116.1 million) for the period ending 31 December 1997 (para. 11 (b)), and because of its inability to confirm the validity of adjustments of $130.4 million resulting from gaps arising from the conversion of the old accounting system to IMIS (paras. 20–23).

40. The views of the Advisory Committee regarding the application of article 32 of the United Nations accounting standards were included in its previous report (A/51/533) to the effect that, in its opinion, assessed contributions are collectable until the General Assembly decides otherwise (para. 51). The Committee discussed this issue at length with members of the Audit Operations Committee and representatives of the Secretary-General and the specialized agencies. The conclusions of the Committee on the question of the applicability of accounting standards are summarized in paragraphs 17 and 18 above.

41. Regarding the $130.4 million the validity of which the Board could not confirm at the time and for which no explanation was provided in the Administration's response (A/52/879), the representatives of the Secretary-General informed the Advisory Committee that the conversion from the old accounting system to IMIS had involved some $43,000 million from all sources of funds – an extremely complex operation requiring the matching of old accounts and new accounts under IMIS. Moreover, the missing information was later provided to the Board along with the reasons for the omission and action taken so that this would not happen again.

42. The Board addresses the issue of the value of pending arbitration claims against peacekeeping operations in paragraph 11 (a) of its report and recommends that, these being contingent liabilities, they be disclosed in the notes to the financial statements in accordance with paragraph 21 of the United Nations accounting standards. The related comments of the Administration are contained in paragraph 5 of the report of the Secretary-General (A/52/879). However, after exchanging views with representatives of the Secretary-General, the Committee does not share the view of the Administration that complying with the Board's recommendation "could send the wrong signal to the parties involved". The Committee is of the opinion that a statement of what parties have claimed does not in itself create an obligation on the part of the Organization to pay the full value of what has been claimed. The Committee is of the view that the Board's recommendation should be fully implemented.

43. The Board of Auditors refers to the issue of gratis personnel in paragraphs 89–109 of its report, and the related recommendation is contained in paragraph 110. The views of the Advisory Committee on this matter have been submitted in its reports on the subject, in particular in documents A/51/813 and A/52/890. The Secretary-General, in his report of 10 July 1998 (A/C.5/52/54/Rev.1), indicated his intention to phase out gratis personnel by 28 February 1999. Future recourse to gratis personnel would therefore be covered by the provisions contained in General Assembly resolution 51/243 of 15 September 1997. The recommendation made by the Board in paragraph 110 of its report has therefore been superseded by events.

44. In its previous report, the Advisory Committee made extensive comments on the Board's findings for the biennium 1994–1995 on procurement, the management of letters of assist and contract administration and the management of logistical contracts, particularly in the United Nations Operation in Somalia (UNOSOM) and the United Nations Assistance Mission for Rwanda (UNAMIR) (A/51/533, paras. 52–56). Moreover, in paragraph 54 of that report, the Committee, in accordance with financial regulation 12.7, requested the Board to conduct a follow-up audit of its finding on letters of assist in conjunction with its next audit.

45. Although some progress has been made to improve the management of letters of assist, as indicated in paragraph 68 of the report of the Board of Auditors, the Advisory Committee notes that many of the other deficiencies previously identified still persist (see paras. 68–87). As mentioned in paragraphs 24 and 28 above, the Secretary-General has issued a report on progress made in the implementation of procurement reform (A/53/271) and another including discussion of the definition of exigency (A/C.5/52/46). The Committee, in reviewing the two reports, will take into account the findings of the Board of Auditors contained in its report.

46. The Advisory Committee, however, is seriously concerned with the comments made by the Board, in paragraphs 84–87 of its report, regarding the results of the expanded audit requested by the Committee. The Board reports that it was unable to confirm all payments, which, according to the Administration amounted to $100.9 million for the period from 1 April 1994 to 31 May 1996. The Committee referred to total payments of $184.8 million to the same contractor for various periods in UNOSOM, UNAMIR and the United Nations Mission in Haiti, as indicated in paragraph 54 of its previous report (A/51/533). Moreover, the Committee did not receive an explanation from the Administration for $12.4 million obligated at the time of the audit, although the related contracts had been amended.

47. In view of the foregoing, and taking into account comments made by the Advisory Committee and the Board of Auditors, in previous as well as current reports, the Committee recommends that the Secretary-General report to it by February 1999 on the results of his review in order to finally clear all outstanding issues concerning this matter.

International Trade Centre

48. The Advisory Committee exchanged views with the Audit Operations Committee on the new relationship between the United Nations and the World Trade Organization with respect to ITC and any possible implications for the audit process. The Committee was informed that there had been no change. The Board's mandate is to report to the General Assembly on the financial statements and accounts of ITC. The ITC currency of account will continue to be the United States dollar, and audits will continue to be conducted on a biennial basis. However, ITC intends to have an accounting system capable of producing a set of accounts in both Swiss francs and United States dollars.

49. The Advisory Committee welcomes the comments made on publications in paragraphs 56–59 of the report of the Board of Auditors on the accounts of the International Trade Centre UNCTAD/WTO for the biennium 1996–1997.[2] The Committee trusts that the Board will continue to carry out similar reviews of other administrations in the future.

United Nations Development Programme

50. The Advisory Committee notes with serious concern that the Board has once again qualified its opinion on the financial statements of UNDP for the same reason indicated for the biennium ending 31 December 1995. As stated in paragraph 18 of the report of the Board of Auditors on UNDP for the biennium 1996–1997,[4] this results from the lack of audit certificates for the expenditure of $520 million out of total reported expenditure on nationally executed programmes of $1,936 million for 1996–1997. This latter amount represents a 71 per cent increase compared to total expenditure of $1,135 million incurred during the biennium 1994–1995, for which an amount of $366 million was reported as lacking audit certificates. In this connection, the Committee notes that the proportion of national execution expenditures covered by audit reports increased marginally, from 68 per cent in 1994–1995 to 73 per cent in 1996–1997. Upon enquiry, the Committee was informed by the Audit Operations Committee that the 5 per cent improvement was due largely to work done by the Board's own auditors in tracking down expenditure and obtaining audit reports.

51. The Advisory Committee reiterates that the submission of audit reports by executing and implementing agencies, whether international, governmental or non-governmental, is part of the standard for assessing the accountability for the funds entrusted to such agencies. Moreover, the Committee recalls its extensive comments on this question contained in paragraphs 23–28 and 69–73 of its previous report (A/51/533). It appears to the Committee that little progress has been made in this regard. The Committee considers that those views still remain valid, and it recommends that the Administrator of UNDP report to the Executive Board, through the Advisory Committee, on the results of the measures taken to implement the previous recommendations and observations of the Committee and the Board of Auditors with respect to this question. The report should be submitted to the Committee in conjunction with the budget estimates of UNDP for the biennium 2000–2001.

52. The Advisory Committee notes that the UNDP administration does not fully agree with the recommendations made by the Board in paragraphs 52 and 53 of its report, in connection with advances to agencies. Regarding the recommendation in paragraph 52, the UNDP administration stated that a reasonable period of cash requirements had been defined as the current month's requirements plus one additional month's needs. Whereas the Board stated that assuming a monthly forward requirement to be a reasonable funding demand, the overall level of balances was nearly two and a half times more than the average monthly expenditure over the previous 12-month period (see also A/53/335/Add.1, sect. C). The UNDP administration, it would seem, does not address the apparent finding of over-advancement. Furthermore, in paragraph 53 of its report, the Board recommended that UNDP examine the scope for reducing the extent to which agencies are funded in advance, moving, where possible, to a system of reimbursing actual expenditure, thereby reducing cash flow risks and improving financial control. However, in the opinion of the Advisory Committee, the administration's comments indicating that the current method, which dates to the earliest days of UNDP, of funding agencies on a monthly basis and agencies holding between one and two months' cash needs at any moment in time, is not directly relevant to the observation or recommendation of the Board.

53. In addition to the above, the Advisory Committee recommends that the administration pay particular attention to the observation of the Board regarding advances to Governments, contained in paragraphs 54–56 of its report. The Committee welcomes the action taken by UNDP regarding the revised procedures for national execution issued in 1998, permitting only field offices to give advances to Governments on receipt of completed and signed financial reports covering the previous quarter. The Committee commends the Board for its intention to monitor compliance with this important requirement.

54. Paragraph 58 of the report of the Board of Auditors indicates that the operational reserve was $200 million for 1997 and that UNDP had utilized the reserve on only one occasion in the past three bienniums, in which it utilized $6.6 million in view of delayed receipt of contributions. The Committee believes that the need to maintain a reserve at this level should be reviewed.

55. The Board comments extensively on UNDP information systems and the programme of integrated organizational and managerial change (UNDP 2001) in paragraphs 91–150 of its report. The Advisory Committee understands that the $100 million spent since 1990 by UNDP on information systems does not include the staff costs involved. Furthermore, even though the amount spent may seem relatively small when compared to total expenditure, the comments of the Board raise serious questions as to whether UNDP has obtained value in exchange for the amount spent. Furthermore, the observations made by the Board seem to reveal a pattern of widespread and systematic inaccurate identification of needs, poor project design, development, implementation and management. As a consequence, unrealistic and somewhat inaccurate estimates were made, which were often revised as projects were changed in midstream, suspended or even abandoned.

56. Paragraphs 108–110 of the Board's report refer to a project for an executive information management system, estimated at $1.6 million in 1997, which was abandoned later on during the year, and another project on an electronic document management system, estimated at $1.7 million, which was put on hold in 1997 pending availability of resources. Total external costs for another project on financial information management (paras. 102–104), were estimated by UNDP in 1997 to be over $10 million for the six-year period from 1994 to 1999; however, the Board states that it was unable to establish how much UNDP had spent to date on the project or what it expected to spend in total.

57. The change management initiative (UNDP 2001), initially estimated at $4.4 million, has grown to $21.5 million including $16.5 million for the 1998–1999 biennium (see para. 133). Yet the Board further indicates, in paragraph 140, that it found that generally, the financial benefits expected from the change process had not been identified. No detailed or aggregate quantification of benefits was included in the change project submissions, the framework document or the implementation plan. On the basis of the comments made by the Board, the Advisory Committee concludes that contract management for a number of the information systems and the change management programme was weak and may have led to more payments than were warranted.

58. In that connection, the Advisory Committee recommends that a special investigation be carried out on the appropriateness of the payments made to contractors for the tasks referred to in paragraphs 91–117 and 146–149 of the Board's report. The Committee further recommends that the results of the investigation be submitted by the Administrator to the Executive Board, through the Advisory Committee, in the context of the budget estimates for the biennium 2000–2001.

59. The Committee recommends, starting with the next biennial budget, that the Administration provide, preferably in tabular form, the full costs for each project with a time-frame for completion. Information should also be provided on the number and cost of all contracts – including all staff costs irrespective of the source of funding – for systems, identification of needs and system design, development and implementation.

United Nation's Children's Fund

60. As regards cash assistance to Governments, a total of $111.7 million remained unliquidated at 31 December 1997 compared with $120.7 million at 31 December 1995, as indicated in paragraph 14 of the report of the Board of Auditors on UNICEF for the biennium 1996–1997.[5] The Advisory Committee recalls its observation in paragraph 88 of its previous report (A/51/533) that among measures to be taken by the administration would be to provide assistance to Governments to enhance their capacity to comply with the financial reporting and audit guidelines of UNICEF. The Committee notes with regret that not only has progress in liquidating cash assistance been marginal, but the Board has found that even liquidation documents have not always met the required standards (para. 16 of the report of the Board of Auditors). In its response (A/53/335/Add.1, sect. D, para. 2), no specific mention is made of strengthening government capacity in that regard.

61. The treatment of cash advances as expenditure is commented upon in paragraphs 13 and 15 of the report. The Advisory Committee regrets to note that the recommendation of the Board that UNICEF review its policy of classifying as expenditure advances to Governments has so far not been implemented, even though it was fully supported by the Committee and endorsed by the General Assembly in its resolution 51/225 of 3 April 1997.

62. In paragraph 15 of its report, the Board indicates that the administration intends to propose a change to the UNICEF financial regulations and rules on the matter. The Advisory Committee will provide further comments when the administration submits proposals to it. In the meantime, the Committee would caution that the present procedure followed by UNICEF is contrary to its own financial regulations and rules. Furthermore, the procedure inflates programme expenditure, giving an inaccurate picture of programme delivery. For example, in paragraph 15 of its report, the Board points out that the programme expenditure of $1,356.4 million in the financial statement for the biennium 1996–1997 included cash assistance of some $100.6 million.

63. The Advisory Committee is of the opinion that, before UNICEF proposes a change in its financial regulations and rules on this subject, it should learn from the experience of other funds and programmes. For example, in the recent discussion of the Committee on the Board's report on voluntary funds administered by the United Nations High Commissioner for Refugees, with representatives of the High Commissioner, the Committee was informed that the Office of the High Commissioner faced a similar situation arising out of recommendations of the Board on the treatment of advances to implementing partners. The Committee was informed that the Office was considering the introduction of changes that would meet the concerns of the Board.

64. The United Nations accounting standards and accounting for contributions in kind is commented on in paragraphs 23–30 of the report of the Board. The comments of the Advisory Committee are in paragraphs 17 and 18 above.

65. With respect to accountability, in paragraphs 58–62 of its report the Board comments on cost overruns in construction project costs; although the approved estimate was $2.5 million, $7.2 million was invoiced by UNDP. The Advisory Committee agrees with the Board that the reasons given by the administration for the increase are unacceptable (para. 60). The Committee equally finds unacceptable the refusal to implement a recommendation of the Board (para. 61) that could have provided greater capacity to monitor the project.

66. The management of consultants is commented on by the Board in paragraphs 71–75 of its report and involves a test sample of 234 special service agreements for consultants and experts. The Advisory Committee notes with serious concern the Board's findings, *inter alia*, about the non-compliance with the requirement for competitive bidding and in some cases not even giving reasons for the waiver of competitive bidding, lack of effective internal control, poor management and non-observance of approved financial limits.

67. The Advisory Committee recalls its comments in its previous report (A/51/533, para. 12 in general and para. 92 concerning UNICEF). The Committee further notes the action listed in document A/53/335/Add.1, section D, paragraph 18, regarding the recommendation of the Board in paragraph 76 of its report. Those actions do not address the question of accountability of practices reported by the Board.

68. Accordingly, the Advisory Committee recommends that the matters referred to in the Board's report (paras. 52–62 and 71–75) be reviewed by the Executive Director of UNICEF. The Executive Director is requested to report to the Executive Board through the Committee, in the context of the 2000–2001 budget proposals, on the results of actions she has taken to address the findings of the Board. The Executive Director is also requested to report on what action she has taken to ensure that those responsible are accountable for the practices revealed in the Board's report.

69. As regards cases of fraud and presumptive fraud, the Advisory Committee notes that out of 157 reported cases in the current audit cycle, 54 are in UNICEF. This compares with 7 in the United Nations, 39 in UNDP, 2 in UNFPA, 3 in UNRWA, 2 in UNDCP, 4 relating to United Nations Joint Staff Pension Fund beneficiaries, 5 in the United Nations Office for Project Services and 41 in peacekeeping operations. The Committee notes that for the period ending 31 December 1995, 66 cases were reported in UNICEF.

70. That notwithstanding, the Advisory Committee recalls its comments in paragraph 90 of its previous report (A/51/533) on some of the fraud reported in the audit for the period ending 31 December 1995. The Committee strongly supports the recommendations of the Board that headquarters strengthen its monitoring of the operation of internal control systems in field offices through prompt and effective investigation of indications of mismanagement (para. 101).

United Nations Population Fund

71. Paragraph 7 of the report of the Board of Auditors on the accounts of UNFPA for the biennium 1996–1997[6] makes reference to previous recommendations that had not been implemented by the UNFPA administration. In that connection the Advisory Committee reiterates the observations regarding the issue of accountability, made in paragraph 29 of its previous report (A/51/533), and the content of General Assembly resolution 48/218 A of 23 December 1993, in which the Assembly called for personal accountability of staff in the performance of their duties. Moreover, the Committee has also indicated that where staff members continue to ignore the principle of separation of responsibility in procurement actions, disciplinary action should be taken against them. The Committee is not fully satisfied with the administration's reply, as summarized in the last sentence of paragraph 7 (b) of the report of the Board of Auditors or with the actions proposed by the administration (see A/53/335/Add.1, sect. I).

72. Accordingly, the Advisory Committee recommends that the Executive Director report to the Executive Board, through the Advisory Committee, on the personnel actions taken, first, to ensure compliance with the recommendations of the Board and, second, to ensure that the irregularities referred to in the Board's report do not recur. That report should be presented in the context of the submission of the 2000–2001 budget estimates.

73. The Advisory Committee notes with concern that the Board has once again qualified its opinion on the UNFPA financial statements as a result of the lack of receipt of audit certificates from Governments and non-governmental executing and implementing agencies for programme expenditures *totalling $83.1 million*. The Committee welcomes the action taken in consultation with the Board to address this problem. The Committee understands that primary responsibility has been shifted to the field offices,

which are now required to establish annual audit plans, including the timing of the receipt of audit reports and a review of their quality. The Committee recommends that UNFPA headquarters carefully monitor the implementation of the new strategy.

74. The Board addresses the disclosure in the financial statements of voluntary contributions in kind in paragraphs 16 and 17 of its report. The Board recommends that UNFPA comply with United Nations accounting standards by showing the value of those contributions in the financial statements. UNFPA indicates that it has drafted the necessary financial regulation and rule required to comply with the accounting standards (A/53/335/Add.1, sect. I). The Advisory Committee was informed by the Audit Operations Committee, however, that this was one of the accounting standards causing a number of difficulties for various organizations in the United Nations system (see paras. 17 and 18 above). The Committee, therefore, is of the view that the application of this standard should be reviewed by the Administrative Committee on Coordination and, in the meantime, there is no need for UNFPA to promulgate new regulations or rules; the value of the contribution in kind referred to by the Board, in paragraph 16 of its report, could be shown in a note to the financial statements, as proposed by the Board.

75. Serious irregularities concerning the management of trust funds are reported in paragraph 18 of the report. The Committee requests that effective measures be taken by the administration to prevent recurrence of those instances of mismanagement.

76. Paragraph 25 of the report of the Board of Auditors indicates outstanding travel advances amounting to $178,000 for staff and $146,400 for consultants, at 31 December 1997 – an increase of 50 and 60 per cent respectively over the previous biennium. The Advisory Committee considers as unacceptable the comments made by the administration in its response (A/53/335/Add.1, sect. I), and sees no need for discussions or issuance of a new circular. The Committee believes instead that the Board's recommendation, contained in paragraph 26 of its report, should be implemented immediately and that, in accordance with UNFPA regulations, recovery should automatically be made for those amounts that have not been settled within two weeks after travel. The Committee also recommends that the Executive Director report to the Executive Board, through the Committee, on action taken in this regard in the context of *the submission of budget estimates for the biennium* 2000–2001, under the heading "Travel expenditure" (travel on official business and consultants).

77. Cash advances to Governments and to non-governmental organizations is analysed by the Board in paragraphs 28–36 of its report. The level of outstanding advances and advances in excess of the required three months' expenditure is evidence of poor cash management and expenditure monitoring. The Board has made specific recommendations, in paragraph 36, to address those problems. The Advisory Committee does not consider as adequate the follow-up action by the administration as summarized in document A/53/335/Add.1, section I. For example, the mere mention that the UNFPA Finance Manual has strict requirements regarding conditions for controlling and paying advances is not in itself a follow-up action. The Board's observations raise doubt about the extent to which these "strict requirements" are being strictly enforced. The Committee is therefore of the view that the Board's recommendations should be fully implemented.

United Nations Environment Programme

78. In paragraphs 34–51 of the report of the Board of Auditors on UNEP for the biennium 1996–1997,[8] the Board, pursuant to a request by the Advisory Committee, commented and made recommendations on the Mercure satellite communications system and on the management of trust funds.

79. The Advisory Committee fully shares the views of the Board concerning the Mercure communications system. The Board has confirmed the Committee's doubts and concerns expressed previously about the procedure followed in approving the system, its compatibility with the United Nations network, its maintenance cost, the cost-effectiveness of the system and its future viability (see UNEP/GCSS.V/INF/3; UNEP/GC.19/L.1, annex, paras. 17–21; and A/52/7, chap. II, part IV, para. IV.52). In the opinion of the Committee, the provisions of financial regulation 7.2 were not fully complied with. The Committee is particularly troubled by the comments of the Board in paragraph 37 of its report and by the fact that, as indicated in paragraph 39, UNEP has so far not benefited from the project even two years after the expected completion of the project.

80. In the opinion of the Advisory Committee, the experience with this system so far indicates what can go wrong when programme managers ignore existing procedures and become too eager to start projects financed by voluntary funds before all related issues, including future operational costs, have been considered. Indeed, the Audit Operations Committee informed the Committee that the

viability of the system would be seriously in doubt unless it was integrated into the United Nations network. The Committee notes the response of the administration, in paragraph 41 of the Board's report, that work on such integration was under way.

81. The Advisory Committee therefore considers it important for the United Nations Secretariat and UNEP to implement the recommendation of the Board in paragraph 42 as a matter of priority. In that connection, the Committee notes the comments of the UNEP administration that the Mercure system can be considered fully operational only from 21 April 1998, when agreement on the use of the system at the Gigiri headquarters was reached with the host Government. However, the other comments in the submission by UNEP do not support this statement. The system cannot be described as fully operational when there are a number of actions awaiting completion. The UNEP administration states that a preliminary cost-benefit analysis will be completed by 26 October 1998, and a more comprehensive review will be possible by April 1999 for submission to the Governing Council of UNEP.

82. The Advisory Committee considers the above timetable as a piecemeal approach to the implementation of the recommendation of the Board. Secondly, henceforth, the management of the system should avoid the mistakes that have been made in the past. The Committee recommends that the United Nations Secretariat be fully involved and take the lead in implementing the recommendations of the Board and that the results of the review be submitted to the General Assembly at its fifty-fourth session through the Committee. The Secretariat and UNEP would accordingly have ample time to review the system in all its aspects, including reporting on the extent of its integration into the United Nations network.

83. The Advisory Committee welcomes the Board's findings and recommendations on the management of trust funds. The Committee notes that the administration does not agree with the Board's recommendation in paragraph 51 of its report. The Committee is of the view that the Board's recommendation should be implemented unless the administration can prove that the inclusion of outputs in the project management report sheet would duplicate similar outputs for the same project as reported in the tools specified in the UNEP Manual on Design, Approval and Evaluation (namely, project progress reports, terminal reports and self-evaluation fact sheet).

United Nations Habitat and Human Settlements Foundation

84. The Advisory Committee finds unacceptable the reasons provided by the administration of the Foundation, summarized in paragraph 52 of the report of the Board of Auditors on the Foundation for the biennium 1996–1997,[9] in connection with the non-submission of a public relations contract worth $65,000 to the local Committee on Contracts for Habitat II. The Committee believes that this matter should be further investigated. Moreover, the exceptional circumstances leading to the approval of the contract without the required submission to a local committee established for that specific purpose must be explained.

85. The Committee welcomes the improvement made with regard to the recruitment and management of consultants noted by the Board in paragraph 43 of its report. However, no improvement has taken place to remove deficiencies identified by the Board, since its 1990–1991 audit, on the important issue of project management. Those deficiencies are a potential for loss and waste of the scarce resources of the United Nations Centre for Human Settlements (Habitat). The Committee recommends that the administration give priority to addressing those deficiencies by implementing the recommendations referred to in paragraphs 33–41 of the Board's report. In particular, the Committee recommends that the Centre consider using appropriate computer software to support its programme operations, taking advantage of the experience of other United Nations agencies.

86. The Advisory Committee is also of the view that, in initiating collaboration with the United Nations Office at Nairobi and UNEP for joint sales policies (A/53/335/Add.1, sect. J), the administration has not responded in an adequate manner to the recommendation made by the Board in paragraph 49 of its report. What the Board recommends is that steps be taken to generate information about the actual production costs and other expenses in order to control costs and to help in the pricing of publications. The Committee is of the opinion that this recommendation should be implemented in full.

Voluntary funds administered by the United Nations High Commissioner for Refugees

87. On the subject of biennial auditing, the Advisory Committee notes the comments of the Board in paragraph 18 of its report on voluntary funds administered by UNHCR

for 1997,[13] and regrets the delay in the consultations between the Board and the Office of the United Nations High Commissioner for Refugees (UNHCR). The Committee discussed the question with the Audit Operations Committee and also with representatives of the High Commissioner. The Committee raised a number of questions on the observations made by the UNHCR administration as contained in paragraphs 30–33 of document A/53/335/Add.1, section G. The Committee was not persuaded by the arguments put forward by the administration. The Committee sees no reason why a biennial certification of the financial statements would be of less value to donors (see A/53/335/Add.1, sect. G, para. 32), since that procedure is followed for the other major funds and programmes to which the same donors make voluntary contributions. Furthermore, a biennial audit would give the Office more time to implement recommendations of the Board. The procedure should also facilitate the timely submission of more audit certificates by implementing partners, thus addressing some of the concerns of the Board of Auditors (see para. 96 below).

88. Accordingly, the Advisory Committee recommends that UNHCR operations be audited biennially. The Committee further recommends that, like the United Nations, UNHCR provide interim unaudited financial statements every six months. The Committee also recommends that UNHCR and the Board discuss the modalities for planning for biennial audit. Should this recommendation be accepted by the General Assembly, the next audited financial statements would be submitted to the General Assembly at its fifty-fifth session to coincide with the biennial audits of the United Nations and those of other funds and programmes.

89. With regard to income recognition, the Advisory Committee exchanged views with members of the Audit Operations Committee and representatives of the High Commissioner on the observations and recommendations made by the Board in paragraphs 12–16 of its report. The Committee also reviewed the comments of UNHCR in document A/53/335/Add.1, section G, paragraphs 1–4, and notes that the High Commissioner is seeking guidance from the Advisory Committee and the Executive Committee. The Advisory Committee had informed the Executive Committee that the Advisory Committee would report to the General Assembly and that its recommendations would be available to the Executive Committee, taking into account any decisions that may be taken by the General Assembly.

90. In the opinion of the Advisory Committee, the current classification of UNHCR programmes into general and special categories has led the Board to make the observation in paragraph 14 of its report. The Committee shares the reservations of the High Commissioner regarding the applicability of article 35 of the United Nations accounting standards to the current UNHCR special programmes. The Committee is of the view that income recognition for those special programmes should be on an accrual basis. However, article 35 should continue to apply to UNHCR trust funds, that is, income is recognized when received and commitment of funds should be based on income received.

91. In its recent report on the revised UNHCR budget for 1998 and initial estimates for 1999, the Advisory Committee made detailed recommendations on the reclassification of the UNHCR programmes. If the Executive Committee accepts them, the implementation of the Committee's recommendations will resolve the issue raised by the Board. The Committee will recommend that the High Commissioner avoid classifying UNHCR programmes as special and general. There will be a system of annual and supplementary programmes, the income for which will be recognized on an accrual basis.

92. In paragraph 15 of its report, the Board considers that contributions in kind should be recognized as income only when received. There are no specific comments on this in the comments of UNHCR. The Committee notes that the observation of the Board is in line with the financial rules for voluntary funds of UNHCR. Therefore, the Committee recommends that the Board's recommendation be fully implemented.

93. The Committee discussed the question of the timing of the submission of audit certificates with the Audit Operations Committee and with representatives of the High Commissioner. The Committee commends UNHCR for action taken so far on this important subject, as briefly recorded in paragraph 20 of the Board's report. The Committee understands that, for example, for non-governmental organizations acting as implementing partners, a six-month time period is allowed for the submission of the certificates; for government implementing partners a three-month time-frame is observed. The Committee understands that extensive discussion has taken place between UNHCR and representatives of the Board and that it has been suggested that, for example, for non-governmental organizations, a three-month time-frame be applied.

94. Contrary to the statement of the administration in paragraph 35 of document A/53/335/Add.1, section G, the Advisory Committee does not consider it unreasonable, for a range of operational reasons, to request that implementing partner audit certificates be submitted in time for the Board of Auditors to be able to review them at the time that it

carries out the audit of UNHCR for a given year. The Committee also does not share the view of the administration that given the auditors' right to access implementing partner accounts, the audit certification of UNHCR should not be made contingent on the number of audit certificates available at the time of the audit exercise.

95. It is the opinion of the Advisory Committee that it is incumbent on all audited administrations to provide the Board of Auditors with the information it deems appropriate for it to render an opinion on the financial statements. With respect to the reference to the Board's right to access the accounts of implementing partners, the Committee wishes to recall its statement in its previous report (A/51/533, para. 120) that it is the basic responsibility of every implementing partner to have its accounts (relating to UNHCR funds) duly audited and to submit audited accounts and audit certificates for scrutiny by UNHCR and the Board.

96. The Advisory Committee considers the certification process to be an important element in the accountability of implementing partners. It is concerned by the finding of the Board in paragraph 19 of its report. According to the Board, as at 31 March 1998, the amounts advanced to implementing partners (other than United Nations agencies) in the years 1995, 1996 and 1997 were $472.7 million, $491.5 million and $370.4 million respectively. Audit certificates had been received as at 31 March 1998 only for $225.1 million (47.6 per cent) for 1995, $23.1 million (4.7 per cent) for 1996 and none for 1997. Under the circumstances, the Committee recommends that the Board and UNHCR hold further consultations in the light of the recommendations made by the Committee on biennial audits (see para. 87 above).

United Nations Institute for Training and Research

97. The Advisory Committee recalls its recommendation on biennial auditing as endorsed by the General Assembly in its resolution 52/212 of 22 December 1997. The Committee notes that UNITAR has not commented on this question in its response to the Board's recommendations. The Committee further recommends that, as is done in other biennially audited administrations, UNITAR produce a set of unaudited interim financial statements at the end of the first year. In the United Nations, these are produced every six months. Owing to the small size of its operation, the Committee does not recommend that UNITAR produce unaudited interim financial statements every six months.

98. The Advisory Committee expresses its concern over the proposal to promote General Service staff to the Professional category without competitive examination, which is called for by the General Assembly. In its comment, the UNITAR administration indicated that it agreed with the recommendation of the Board that the matter be clarified by the Office of Legal Affairs. The Committee fully shares the view of the Board of Auditors as set out in paragraph 33 of its report on UNITAR for 1997.[14] Furthermore, the Committee is of the view that this proposal, if implemented, would set a bad precedent and would weaken the implementation of the decisions of the General Assembly on the matter.

Other United Nations entities

99. The Advisory Committee has no special comments to make with regard to the audits of UNU, UNRWA, UNDCP or the United Nations Office for Project Services, nor on the management review of the secretariat of the International Civil Service Commission (A/52/811).

Notes

[1] *Official Records of the General Assembly, Fifty-third Session, Supplement No. 5* (A/53/5), vol. I, chap. II.

[2] Ibid., vol. III, chap. I.

[3] Ibid., vol. IV, chap. II.

[4] Ibid., *Supplement No. 5A* (A/53/5/Add.1), chap. II.

[5] Ibid., *Supplement No. 5B* (A/53/5/Add.2), chap. II.

[6] Ibid., *Supplement No. 5G* (A/53/5/Add.7), chap. II.

[7] Ibid., *Supplement No. 5C* (A/53/5/Add.3), chap. II.

[8] Ibid., *Supplement No. 5F* (A/53/5/Add.6), chap. II.

[9] Ibid., *Supplement No. 5H* (A/53/5/Add.8), chap. II.

[10] Ibid., *Supplement No. 5I* (A/53/5/Add.9), chap. II.

[11] Ibid., *Supplement No. 5J* (A/53/5/Add.10), chap. II.

[12] *Official Records of the General Assembly, Fifty-second Session, Supplement No. 5* (A/52/5), vol. II, chap. II.

[13] *Official Records of the General Assembly, Fifty-third Session, Supplement No. 5E* (A/53/5/Add.5), chap. I.

[14] Ibid., *Supplement No. 5D* (A/53/5/Add.4), chap. II.

[15] Ibid., *Supplement No. 9* (A/53/9), chap. III.

[16] *Official Records of the General Assembly, Fifty-second Session, Supplement No. 5* (A/52/5), vol. II, chap. I.